

PERAC AUDIT REPORT



Shrewsbury Contributory Retirement System

JAN. 1, 2006 - DEC. 31, 2007



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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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January 20, 2009

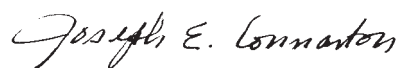
The Public Employee Retirement Administration Commission has completed an examination of the Shrewsbury Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2006 to December 31, 2007. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant findings to report.

We commend the Shrewsbury Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

		AS OF DECEMBER 31,	
		2007	2006
Net Assets Available For Benefits:			
Cash		\$382,030	\$501,818
Short Term Investments		4,616,397	1,624,527
Equities		12,295,136	13,963,939
Pooled Domestic Equity Funds		19,058,882	16,706,244
Pooled International Equity Funds		9,533,600	8,381,020
Pooled Domestic Fixed Income Funds		15,712,379	14,768,603
Pooled Real Estate Funds		5,696,559	5,276,763
PRIT Cash Fund		0	0
PRIT Core Fund		0	0
Interest Due and Accrued		8,978	6,568
Accounts Receivable		20,365	0
Accounts Payable		(67,105)	(86,741)
Total		<u>\$67,257,220</u>	<u>\$61,142,741</u>
Fund Balances:			
Annuity Savings Fund		\$18,637,467	\$17,298,881
Annuity Reserve Fund		3,102,987	3,157,342
Pension Fund		4,255,579	4,896,875
Military Service Fund		30,629	33,573
Expense Fund		0	0
Pension Reserve Fund		41,230,558	35,756,070
Total		<u>\$67,257,220</u>	<u>\$61,142,741</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2006)	\$16,417,261	\$2,942,062	\$5,959,594	\$7,378	\$0	\$29,456,240	\$54,782,535
Receipts	2,132,496	86,568	2,571,334	26,195	452,345	6,295,852	11,564,789
Interfund Transfers	(598,410)	594,431	0	0	0	3,978	(0)
Disbursements	(652,466)	(465,719)	(3,634,053)	0	(452,345)	0	(5,204,582)
Ending Balance (2006)	17,298,881	3,157,342	4,896,876	33,573	0	35,756,070	61,142,741
Receipts	2,147,051	92,550	3,224,602	9,931	490,211	5,474,414	11,438,758
Interfund Transfers	(387,669)	387,595	0	0	0	74	0
Disbursements	(420,797)	(534,499)	(3,865,898)	(12,875)	(490,211)	0	(5,324,280)
Ending Balance (2007)	<u>\$18,637,467</u>	<u>\$3,102,987</u>	<u>\$4,255,579</u>	<u>\$30,629</u>	<u>\$0</u>	<u>\$41,230,558</u>	<u>\$67,257,220</u>

STATEMENT OF RECEIPTS

			FOR THE PERIOD ENDING DECEMBER 31,	
			2007	2006
Annuity Savings Fund:				
Members Deductions			\$1,893,173	\$1,772,868
Transfers from Other Systems			123,601	216,354
Member Make Up Payments and Re-deposits			28,478	47,389
Member Payments from Rollovers			0	0
Investment Income Credited to Member Accounts			<u>101,798</u>	<u>95,885</u>
Sub Total			<u>2,147,051</u>	<u>2,132,496</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund			<u>92,550</u>	<u>86,568</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems			87,233	87,431
Received from Commonwealth for COLA and Survivor Benefits			177,182	203,208
Pension Fund Appropriation			<u>2,960,187</u>	<u>2,280,695</u>
Sub Total			<u>3,224,602</u>	<u>2,571,334</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service			9,748	26,150
Investment Income Credited to the Military Service Fund			<u>183</u>	<u>44</u>
Sub Total			<u>9,931</u>	<u>26,195</u>
Expense Fund:				
Expense Fund Appropriation			0	0
Investment Income Credited to the Expense Fund			<u>490,211</u>	<u>452,345</u>
Sub Total			<u>490,211</u>	<u>452,345</u>
Pension Reserve Fund:				
Federal Grant Reimbursement			89,204	2,976
Pension Reserve Appropriation			0	0
Interest Not Refunded			8,547	2,926
Miscellaneous Income			0	0
Excess Investment Income			<u>5,376,663</u>	<u>6,289,950</u>
Sub Total			<u>5,474,414</u>	<u>6,295,852</u>
Total Receipts			<u>\$11,438,758</u>	<u>\$11,564,789</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006
Annuity Savings Fund:		
Refunds to Members	\$285,860	\$162,400
Transfers to Other Systems	<u>134,937</u>	<u>490,066</u>
Sub Total	<u>420,797</u>	<u>652,466</u>
Annuity Reserve Fund:		
Annuities Paid	508,013	465,719
Option B Refunds	<u>26,486</u>	<u>0</u>
Sub Total	<u>534,499</u>	<u>465,719</u>
Pension Fund:		
Pensions Paid:		
Regular Pension Payments	2,592,116	2,446,285
Survivorship Payments	97,133	85,738
Ordinary Disability Payments	37,145	40,273
Accidental Disability Payments	720,524	671,758
Accidental Death Payments	204,889	216,845
Section 101 Benefits	35,244	33,208
3 (8) (c) Reimbursements to Other Systems	178,848	139,946
State Reimbursable COLA's Paid	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>
Sub Total	<u>3,865,898</u>	<u>3,634,053</u>
Military Service Fund:		
Return to Municipality for Members Who Withdrew Their Funds	<u>12,875</u>	<u>0</u>
Expense Fund:		
Board Member Stipend	3,000	3,000
Salaries	42,639	41,163
Legal Expenses	0	0
Medical Expenses	0	0
Travel Expenses	4,434	5,500
Administrative Expenses	20,758	19,354
Furniture and Equipment	0	4,505
Management Fees	365,273	327,745
Custodial Fees	25,319	22,610
Consultant Fees	25,000	25,000
Rent Expenses	0	0
Service Contracts	99	98
Fiduciary Insurance	<u>3,689</u>	<u>3,369</u>
Sub Total	<u>490,211</u>	<u>452,345</u>
Total Disbursements	<u>\$5,324,280</u>	<u>\$5,204,582</u>

INVESTMENT INCOME

FOR THE PERIOD ENDING DECEMBER 31,		
	2007	2006
Investment Income Received From:		
Cash	\$3,474	\$3,289
Short Term Investments	78,224	65,776
Fixed Income	0	0
Equities	286,146	555,994
Pooled or Mutual Funds	333,626	341,890
Commission Recapture	<u>320</u>	<u>474</u>
Total Investment Income	<u>701,790</u>	<u>967,422</u>
Plus:		
Realized Gains	2,286,190	1,391,322
Unrealized Gains	8,703,962	7,793,687
Interest Due and Accrued - Current Year	<u>8,978</u>	<u>6,568</u>
Sub Total	<u>10,999,129</u>	<u>9,191,578</u>
Less:		
Paid Accrued Interest on Fixed Income Securities	0	0
Realized Loss	(330,248)	(215,337)
Unrealized Loss	(5,302,698)	(3,012,598)
Interest Due and Accrued - Prior Year	<u>(6,568)</u>	<u>(6,274)</u>
Sub Total	<u>(5,639,514)</u>	<u>(3,234,209)</u>
Net Investment Income	<u>6,061,405</u>	<u>6,924,791</u>
Income Required:		
Annuity Savings Fund	101,798	95,885
Annuity Reserve Fund	92,550	86,568
Military Service Fund	183	44
Expense Fund	<u>490,211</u>	<u>452,345</u>
Total Income Required	<u>684,742</u>	<u>634,842</u>
Net Investment Income	<u>6,061,405</u>	<u>6,924,791</u>
Less: Total Income Required	<u>684,742</u>	<u>634,842</u>
Excess Income To The Pension Reserve Fund	<u>\$5,376,663</u>	<u>\$6,289,950</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2007			
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED
Cash	\$382,030	0.6%	
Short Term	4,616,397	6.9%	
Equities	12,295,136	18.3%	
Pooled Domestic Equity Funds	19,058,882	28.3%	
Pooled International Equity Funds	9,533,600	14.2%	
Pooled Domestic Fixed Income Funds	15,712,379	23.3%	
Pooled Real Estate Funds	5,696,559	8.5%	
PRIT Cash Fund	0	0.0%	
PRIT Core Fund	0	0.0%	
Grand Total	<u>\$67,294,982</u>	<u>100%</u>	

For the year ending December 31, 2007, the rate of return for the investments of the Shrewsbury Retirement System was 9.90%. For the five-year period ending December 31, 2007, the rate of return for the investments of the Shrewsbury Retirement System averaged 12.40%. For the 23-year period ending December 31, 2007, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Shrewsbury Retirement System was 10.50%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Shrewsbury Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

December 20, 2004

16.08 In accordance with PERAC Investment Guideline 99-2, the Shrewsbury Retirement Board is authorized to modify its international equity mandate with State Street Global Advisors. The Board has been previously authorized to invest in four separate funds: the International Alpha Fund, the Small Cap Alpha Fund, the International Growth Opportunities Fund, and the Active Emerging Markets Fund. Under the new structure, the Board will invest in the same four funds but will do so within the All International Allocation Common Trust Fund, the objective of which is to invest in and make tactical shifts among the four constituent funds. Under the new structure, the Board's management and custody fees will be slightly reduced.

April 8, 2002

16.08 In accordance with Investment Guideline 99-2, the Shrewsbury Retirement Board is authorized to modify its domestic fixed income mandate with Income Research & Management from a separate account structure to a commingled fund, the IR&M Core Bond Fund. This change is intended to achieve operational efficiencies and involves no change in investment strategy.

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Shrewsbury Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

ADMINISTRATION

There are 106 contributory Retirement Systems for public employees in Massachusetts. Each system is governed by a retirement board, and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements, and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal, or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 3 classes of membership in the Retirement System:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire no later than the end of month they attain age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year average salary. For veterans as defined in G.L. c. 32, § 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

- Salary is defined as gross regular compensation.
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit. Elected officials and others who were hired prior to 1978 may be vested after 6 years in accordance with G.L. c. 32, § 10.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. Employees who first become members on or after January 1, 1984, may receive only limited interest on their contributions if they voluntarily terminate their service. Those who leave service with less than 5 years receive no interest; those who leave service with greater than 5 but less than 10 years receive 50% of the interest credited.

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, § 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”.

Retirement Allowance: Equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$687.96 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$312 per year, per child, payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

NOTES TO FINANCIAL STATEMENTS (Continued)

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a cost-of-living adjustment. The total Cost-of-Living adjustment for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who remains unmarried for a member whose retirement becomes effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up") based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

NOTES TO FINANCIAL STATEMENTS (Continued)

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Shrewsbury Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

August 2, 2002

Service Liability – No liability for service will be accepted for service with the Town of Shrewsbury which did not entitle the employee to membership in the Shrewsbury Retirement System (worked under 20 hours per week on a permanent basis) unless the employee subsequently becomes a member of the Shrewsbury Retirement System purchases said service while employed by the Town of Shrewsbury.

November 29, 1994

1. Creditable Service: Part-Time Employees:

Members designated as part-time employees (those who work less than 37 1/2 hours per week) shall be granted creditable service according to the following:

<u>Hours per week</u>	<u>Creditable Service</u>
20 but less than 22.5	7 months
22.5 but less than 25.5	8 months
25.5 but less than 28.5	9 months
28.5 but less than 32	10 months
32 but less than 35	11 months
35 +	12 months

2. Creditable Service:

Any member whose hours per week are reduced below 20 shall be granted creditable service at the 20 hour per week level.

3. Staff: Executive Director

4. Ex-Officio Member: Administer Retirement Office and be available to confer with the Executive Director on important operations of this office.

5. Executive Director: Administer Retirement Office; maintain the rules and regulations of Retirement Board and Chapter 32.

6. Meetings: 2nd Wednesday of month; Changes may be made by the Board.

May 22, 1991

“PART-TIME EMPLOYEES - Effective 7/1/91. Any part-time employee who works 20 hours or more per week shall become a member of the retirement system.”

NOTES TO FINANCIAL STATEMENTS (Continued)

September 20, 1990

BUY BACK OF PRIOR SERVICE - The length of creditable service an individual will be eligible to buy back will be equal to actual time worked.

January 29, 1988

Retirement Board:

Three (3) members as designated by G.L. c. 32, s.20.

Staff:

Executive Secretary

Staff Salary:

Determined by vote of the board - in accordance with town salary schedule.

Staff Benefits:

Determined by vote of the board, in accordance with but not limited to the Personnel Bylaw.

Staff Hiring:

Determined by vote of board after interviews.

Chairman of Retirement Board:

Conduct all meetings, disseminate information from board. Poll board members for a vote on important disclosures if deemed necessary.

Board Policy:

Board shall perform within the disclosures law and open meeting law of the Commonwealth.

Ex-Officio Member:

Administer retirement office and be available to confer with executive secretary on important operations of this office.

Executive Secretary:

Administer office; maintain the rules and regulations of retirement board and Chapter 32.

Meetings:

Second Tuesday of month; board may make changes.

Membership Eligibility:

In accordance with Chapter 32, section 3.

Part-time employees - any part-time employee who works twenty (20) or more hours for a period of six months shall become a member of the system after said six months of continuous employment is completed. These part-time employees shall then have the privilege of purchasing this past service.

NOTES TO FINANCIAL STATEMENTS (Continued)

Creditable Service:

In accordance with G.L. c. 32, part-time employees - any members who are designated part-time shall be credited for service based upon the number of hours worked during the year.

Example: an employee who works twenty (20) hours a week for fifty-two (52) weeks would be credited with six (6) months of service.

CETA Employees:

Members may purchase their CETA employment time with creditable service pro-rated based upon the actual hours worked.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Mary E. Thompson

Appointed Member: Jay Montgomery Term Expires: 07/01/09

Elected Member: Kevin McNeil Term Expires: 12/05/10

Elected Member: Ann M. Dagle Term Expires: 12/06/10

Appointed Member: Caryn Shea Term Expires: 12/23/08

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex-officio Member:)	\$50,000,000 Fiduciary
Elected Members:)	\$1,000,000 Fidelity
Appointed Members:)	MACRS Policy
Staff Employee:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Buck Consultants as of January 1, 2008.

The actuarial liability for active members was	\$49,820,564
The actuarial liability for retired and inactive members was	<u>35,436,128</u>
The total actuarial liability was	85,256,692
System assets as of that date were	<u>65,665,411</u>
 The unfunded actuarial liability was	 <u>\$19,591,281</u>
The ratio of system's assets to total actuarial liability was	77.0%
As of that date the total covered employee payroll was	\$22,402,987

The normal cost for employees on that date was 8.10% of payroll

The normal cost for the employer was 4.20% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.50% per annum

Rate of Salary Increase: 5.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2008	\$65,665,411	\$85,256,692	\$19,591,281	77.0%	\$22,402,987	87.4%
1/1/2006	\$54,147,807	\$75,979,303	\$21,831,496	71.3%	\$19,896,839	109.7%
1/1/2004	\$50,857,118	\$65,276,552	\$14,419,434	77.9%	\$17,995,844	80.1%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Retirement in Past Years										
Superannuation	8	5	10	4	5	2	6	3	6	5
Ordinary Disability	0	1	0	0	0	0	0	0	0	0
Accidental Disability	2	1	0	0	1	1	1	1	1	1
Total Retirements	10	7	10	4	6	3	7	4	7	6
Total Retirees, Beneficiaries and Survivors	249	247	247	239	231	228	231	226	236	232
Total Active Members	468	482	535	546	466	489	510	515	651	672
Pension Payments										
Superannuation	\$1,613,552	\$1,667,717	\$1,925,207	\$2,028,049	\$2,094,786	\$2,122,041	\$2,234,882	\$2,405,429	\$2,446,285	\$2,592,116
Survivor/Beneficiary Payments	83,132	78,268	73,927	69,112	66,280	68,187	70,130	72,236	85,738	97,133
Ordinary Disability	56,195	48,968	41,094	36,734	36,238	37,234	38,239	39,251	40,273	37,145
Accidental Disability	405,185	506,190	502,345	475,566	552,169	653,876	615,143	636,980	671,758	720,524
Other	<u>222,441</u>	<u>227,201</u>	<u>242,000</u>	<u>254,997</u>	<u>282,500</u>	<u>372,282</u>	<u>394,506</u>	<u>400,967</u>	<u>389,999</u>	<u>418,980</u>
Total Payments for Year	<u>\$2,380,505</u>	<u>\$2,528,344</u>	<u>\$2,784,573</u>	<u>\$2,864,459</u>	<u>\$3,031,973</u>	<u>\$3,253,621</u>	<u>\$3,352,899</u>	<u>\$3,554,864</u>	<u>\$3,634,053</u>	<u>\$3,865,898</u>

NOTE: Prior to 2006 the headcount statistics were calculated manually. In 2006 the Board started using the statistics provided by the Tyler/TACS system. The "Total Active Members" data prior to 2006 is incorrect. All the other data is correct. Data necessary to restate prior years was not available.

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